



U.S. Department of Justice

*United States Attorney's Office
Eastern District of New York*

F.#2009R02380
DSS/CMT

271 Cadman Plaza East
Brooklyn, New York 11201

December 31, 2013

BY ECF

The Honorable John Gleeson
United States District Court
Eastern District of New York
225 Cadman Plaza East
Brooklyn, New York 11201

Re: United States v. HSBC Bank USA, N.A. and
HSBC Holdings plc
Criminal Docket No. 12-763 (JG)

Dear Judge Gleeson:

Pursuant to the Court's July 1, 2013 order directing the government to file quarterly reports regarding the implementation of the deferred prosecution agreement ("DPA") in the above-captioned matter, the government provides the following.

Since the last quarterly report was filed on September 30, 2013, independent corporate compliance monitor Michael G. Cherkasky (the "Monitor") has commenced an initial review of the effectiveness of HSBC Holdings plc's ("HSBC Group's") anti-money laundering and sanctions compliance program. As part of this review, the Monitor and his team (collectively, the "Monitor Team") has conducted substantive interviews of personnel from virtually all levels of HSBC Group. To date, the Monitor Team has conducted interviews of approximately 360 individuals in connection with the initial review. In addition, since the last quarterly report was filed, the Monitor Team has conducted site visits to HSBC Group affiliates' operation centers in the United Kingdom, Turkey, Hong Kong, China, Mexico, and the United Arab Emirates.

The Monitor is scheduled to submit the report of his findings from the initial review to the Department of Justice on January 20, 2014.

In addition, the government advises the Court that, on December 17, 2013, HSBC Bank USA, N.A. agreed to remit \$32,400 to the U.S. Department of the Treasury's Office of Foreign Assets Control ("OFAC") to settle potential civil liability for three apparent violations of the Global Terrorism Sanctions Regulations. The apparent violations occurred between December 2010 and April 2011 and related to payments involving Husayn Tajideen and an entity known as "Tajco" that were designated by OFAC as Specially Designated Global Terrorists in December 2010. HSBC Bank USA, N.A. self-disclosed these apparent violations to OFAC and the Department of Justice. OFAC determined that the apparent violations were not the result of willful or reckless conduct. In addition, the conduct occurred prior to the implementation of the DPA. As such, these apparent violations do not constitute a breach of the DPA.

Respectfully submitted,

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